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Polarizing mechanisms and factors of the middle class in transition

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Abstract

Considering that the Romanian transition represented a favourable frame which was properly used by certain groups in order to make themselves winners of the transition, my intention is to unravel the real *metabolism* of these social processes and their result analyzed from the perspective of the winners and losers of the transition. My intention is to analyze the action and the result of this action related to certain categories and to the manner of presentation of the social space limited by certain types of *losers*, respectively, *winners* of the particular Romanian post-communist transition. The reference situation for the analysis of the structure of the middle class is a meritocratic model of social mobility. Based on the premises that the Romanian transition represented a favourable context properly used by certain groups in order to transform themselves in winners of the transition, I intend to analyse the mechanisms and the factors involved in this process relating to certain categories and a certain manner of structuring the social space limited by certain types of losers, respectively winners of the particular Romanian post-communist transition.

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1. Main text

The main objective of this paper is the analysis of the manner the complex social change that affect all the levels of the economic and social life, generic called transition, leaded to certain architecture of the social space in Romania in the past 20 years.

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The social categories considered relevant within this analysis will be constructed by the blend of two criteria: the social class and the social – occupational status.

As regards the upper class, its representatives may be easily included in the total winners of the transition category.

Also, the emergence and the evolution of a sub-category of those extremely poor containing social outsiders living in the so called “poverty bag” and facing a daily menace to not be able to survive simplifies the identification of certain categories of total losers of the transition.

As regards the middle class, based on the diversity of the categories included here, we considered it a privileged space of analysis of the social mechanisms that acted within the Romanian transition structuring the social space.

Based on what was intended to be the novelty element in this paper, I considered important to emphasize the analysis of the “delicate mechanisms” of structuring and de-structuring the social space; the “laboratory” of this analysis was the post-communist middle class.

Hence, this analysis will be focused on describing and explaining the mechanisms of (re)structuring the middle class based on the hypothesis, which I intend to confirm in this paper, of the division of this class in winners, respectively losers of the post-communist transition.

Blending the class and social – occupational criteria lead to the following categories to be included within the suggested analysis: the employed middle class, pensioners assimilated to the middle class due to the prior occupation, respectively the educational background medium or over medium. The reference situation for the analysis of the middle class is the meritocratic model of social mobility. This article represents a synthesis of a part of the results of an analysis made within a larger frame in my PhD thesis - (*România după 20 de ani. Câștigători și perdanți ai tranziției*, 2012-manuscris).

2. The theoretic-methodological frame

One of the main delimitations present in most of the theoretic approaches of identifying the social class is that between employees and employers, the last ones considered as representatives of the upper class (according to the Marxist terminology the superior hierarchical position is occupied by *the owners of the production means*)

The stratification of the employee’s class and the increase of the non-manual occupations leaded to distinct profiles of the employees represented in the social structure by different hierarchical positions, hence the affiliation to different social classes. This process of stratification within the employee’s class ended with the emergence of the new middle class consisting in the so called “white collars”, according to Wright Mills consecrated expression.

One of the main occupational indicators differencing the *white collars* from the *blue collars* is the *non-manual nature of the work*. Hence, the main element of identification of the affiliation to the new middle class is represented by a qualitative and not quantitative characteristic. The higher prestige of the non-manual labor makes the class difference.

In this context the income represents strong criteria of differencing within the middle class. This heterogeneity of the middle class, which in Romania is almost social polarization, represents an argument for some authors like Manuela Stănculescu to consider artificial the delimitation of such social class. The above mentioned author

considers that this class, which may be statistic defined as middle class, is social polarized between a minority more related to the upper class and a majority relating more to those in permanent peril to become poor; this situation generates a constant struggle of these people to “make everything possible within the limits of budget, imagination and context in permanent change to succeed maintaining “on tracks”. (M.Stănculescu, 2007,p. 66).

Hence, the middle class is differenced from the point of view of occupations and mainly from the point of view of incomes; the social stratification inside the category generates several social sub-classes.

A model of social mobility like the one presented above where the accession to a higher position on the social space is determined by the educational capital is a meritocratic model.

A meritocratic model implies a mechanism automatic regulating the placement of each individual within the hierarchy of the social space according to the quantity and the quality of the personal merits.

In reality the meritocratic model functions differently in different social sub-systems. If we consider the social selection and mobility mechanisms validated by the market mechanisms, these merits will be consequently validated by the market. On the other side any major change in the interaction between the employee and the market that affects the measurable result of the employee activity will be reflected in his later social position within the company regardless their individual, moral or social qualities accept those referring to the sell of the product.

Such a mechanism is directly connected to the market function and produces winners and losers of this type of system, called “market economy” or “capitalist”.

In the logic of distributive and redistributive budgetary mechanisms the market, even if it has a certain role, represents only one of the factors involved in validating and legitimating the meritocratic mechanism of the social mobility within the respective subsystem. Among the important factors validating this mechanism is no doubt the legislative system that regulates it.

3. Middle class polarization factors and mechanisms

Beyond the rules regulating the budgetary salaries and public pensions an important impact in employee's stratification have also the laws regulating the salaries in the state companies, autonomous companies and the Regulating Authorities.

Also, if the market regulates the economic reality with *an invisible hand* the adjustments of the system regulating the distribution and redistribution of the budgetary resources are effects of some political decisions based on the negotiations of the blend of particular, individual interests with group, social, general interest.

Resuming our analysis of the middle class presented above, a large part of the middle class consists in state employees where predominant are the so called *white collars*.

There is, no doubt, also a large part of the middle class affiliated to the private sector, employee's medium and over medium educated from the private companies, owners of small enterprises that cannot be assimilated to the upper class. The mechanism of selection and placement in the social space of those belonging to this category functions according to a model that itself regulates permanently under the influence of the market. Without considering this selection mechanism more meritocratic I believe that one of its structurant factors is represented by an objective point of reference, respectively, the market.

The social mobility of the state employees and of those from the autonomous and state companies and of the pensioners is under the incidence of such regulating mechanisms, which function depends on a large extent of the political decision, in certain situation more than of the state of the economy.

The hypothesis I intend to promote in this analysis is that the model of stratification of the middle class in the post-communist Romania, in particular the middle class depending of the public system, is not a meritocratic one except in certain components, hence, is only *partially meritocratic*.

In the analysis of the manner of stratification of the middle class, of the selection mechanisms and the factors influencing this process in relation with the meritocratic model mentioned above, I consider relevant for our analysis mainly two categories: the employees and the pensioners. The compared analysis will be accomplished by the blend of two types of criteria; an external validation of the merit criteria referring to the specific socio-economic context it is necessary. This will be described using relevant indicators as reference points.

It will be accomplished a compared analysis of the differences among the salaries of the middle class, as well as those within the pensions system. They will also be analyzed the differences within the pension system referring to

certain categories of pensioners assimilated to the same middle class. These pensions will be analyzed using certain reference indicators like: the average and the median salaries and pensions of social insurance, the median of salaries in certain budgetary branches relevant for the employed middle class.

Regarding the level of the medium and minimum salary Romania is placed on one of the lowest level in EU and regarding the income on adult in 2008 Romania was placed on the last place among the EU countries, with a six times lower income than the European average income (Zamfir et.al., 2011).

Maintaining the low level of the salaries generated the development of a relatively poverty area among the employees. The low level of salaries and the precarious situation of the free lancers led to the highest percentage of poverty among the occupied population from the EU (twice compared to the UE in Zamfir et.al., 2011).

On the other side, the statistic data confirms the important increase of the differences among incomes and of the social inequity in these twenty years; this data are also validated by the subjective indicators of perception regarding the social inequality and structure.

No doubt, the increase of the social inequality represented a natural effect of the change of the economic and politic system after 1989. A part of this inequality increase is caused by the public policies applied on pensions and salaries.

The policy of salaries and pensions represented factors generating inequity and social polarisation. The relation between the minimum and the maximum budgetary salary increased from 1/5,5 in 1989 to over 1/25 in 2009, while the relation between the minimum and the maximum pension is over 1:100.

Analysing the structure of employees on gross income groups we notice the significant differences in the favour of the primary economic sector in relation with the secondary one and the majority of the budgetary employees in the sectors with middle class employees. Analysing the statistic data (INS, Buletin Statistic Lunar 4/2011) we observe large differences among the economic branches and within these branches. In industry the employees of the competitive companies have an average salary twice lower than the state employees acting in monopoly area.

The theories of segmentation of the market start from the premises of the existence of a so called primary monopolist sector producing with no problem a larger added value and a secondary sector functioning on a competitive market and vulnerable to the market disturbances. The employees of the first sector and certain categories of budgetary employees are better paid and have a higher stability of the job compared to the second sector, worst paid and vulnerable.

The well function of such model of economic structure involving the existence of a dual labour market [5] (Doeringer and Piore, 1971), creates the premises to increase the differences among the employees with similar training in the same environment but with different opportunities of mobility in social space. This theoretic model of dual labour market may be applied in the current Romanian society. Analysing the data regarding the average salary on branches and sub-branches (INS, 2011), we notice a duality of the labour market among certain parts of the primary sector and the areas of the regulating institutions. The average salary in Autonomous and State Companies and Regulating Authorities exceed the budgetary salary from education and health system. From the analysis of data we notice that the median of the salaries of the middle class corresponding to these two domains is below the average salary and 1:2,5 from the median of the salaries in the State and Autonomous Company for similar level of education.

Highest differences may be noticed among state employees with similar level of education. These differences are regulated by the new law of budgetary salary, which offers an illustrative picture of the salary policy as factor of polarisation of the middle class.

The initial form of this law, no 330/2010, establishes a maximum report between the limits of the basic budgetary salary of 1:12. One year after the enforcement of this law it is abrogated and replaced with law 285/2010. The main difference is the increase of the minimum-maximum report from 1:12 to 1:15 and the decrease of the reference value from 705 to 600 lei.

This law stipulates a transition period to establish these reports among the budgetary salaries. The current situation is characterised by a larger inequity in budgetary salaries exceeding a minimum-maximum report of 1:25. The new law of unitary salary maintains significant differences among the similar categories and these differences increase to the higher level. So, the maximum salary a budgetary employee with the higher level of education and experience may reach depends more of the field of activity than of the level of professional development.

These differences increase in the new form of the law in 2010 where the representatives of some budgetary fields

are privileged compared to other, which did not have enough force of pressure. For instance: the salary of a debutant in judiciary system is 50% higher than the maximum of the salary of a high school professor or doctor at the end of his career.

The problem of principle, as (Mărginean, 2011), is that of un-proportionality between the positions and the salaries. If at the base of the hierarchy the differences are low these increase moderate in the middle but at the top these are of 35-40%. This means that the majority of the positions, including those of university graduated, are corresponding to coefficients from the lower part of hierarchy. Is relevant that at the middle of the scale corresponding to class 55 (of 110) is a coefficient of 3,9 instead of 8, and 8 corresponds to class 85.

The author considers as unacceptable the placement of the majority of the positions on the first part of the hierarchy of the incomes and with a corresponding low value of reference. The very low level of salaries from the basis of the hierarchy where we may find a large part of the experts with salaries of 1000 lei puts them in the position to face important financial difficulties (Mărginean, 2011, p.109).

Even thou the situation described above could be found in the law 330/2009 the version of 2010 presents a consolidated unbalanced distribution and an increased difference between the majority of the university graduated and few categories of experts from the top of the pyramid.

Beyond the superior power of pressuring of the categories privileged by the new law I believe that this evolution reflects also a certain conscience of superiority of some of the representatives of these categories considering that they have to keep the distance (distinction according to Bourdieu) from the other experts. Without evoking ideological arguments but reacting to this type of approach I believe that the law should establish a minimum-maximum report and a maximal level of differences among categories with similar education and comparable responsibilities. In the absence of such regulation my theory is that any increase of the reference value will lead to the increase of the salaries from the top of the pyramid due to the mentioned report of power and the maximum coefficient of 1:15 and the salaries of the majority of the experts will remain in the proximity of the reference value.

On the other side, the same categories of budgetary employees are privileged comparing to the middle class budgetary employees by receiving special pensions. The special pensions for certain categories create larger discrimination among the categories of budgetary employees with similar education and importance of work.

According to CNPAS [8] (CNPAS, 2010) data in March 2010 the median value of the social insurance pensions is below 700 Lei and for the pensioners on limit age is below 800 lei; the modal interval of pensions' distribution is 1000-1500 lei, here are situated almost 800 000 pensions while only 5% have a pension over 1500 lei.

At its maximum the middle class represents 35% of Romanian population, the active population and the inactive population represent the same percentage (Mărginean, et al., 2006. p.146).

Within this context, we may estimate that at least one third of the current pensioners can be assimilated with the representatives of the middle class. Even if we consider that all the 5% of the social insurance pensioners with a pension over 1500 Lei are from the middle class, we observe that 85% of the pensioners have pensions below this limit and 99,9% below 5000 lei.

I consider that within this context we should analyse the average pension of 8691 lei of a certain category like the magistrates where according to CNPAS (2010) data less than 20% is the contribution and over 80% is bonus from the state budget. Offering a bonus representing four times the value corresponding to the contribution is hard to justify under the circumstances when this value would anyway exceed the average pension of the middle class. Even less justifiable is the bonus of seven gross salaries (and up to 30 gross salaries for the retired militaries) for these privileged of the middle class.

Conclusions

The social polarisation of the middle class is illustrated by the development during the transition of two border areas in relation with the lower, respectively the upper class:

- An area of social precariousness generating a poverty risk where we may find the majority of the middle class employees and pensioners. An important part of those whom are in theory belonging to the middle class according to the educational and occupational criteria, are located according to the income in an area with a higher poverty risk;

- An area where certain characteristics specific to the middle class, like non-manual occupation co-exist next to certain categories specific to the upper class, like very high income and a corresponding life style. The exemplarity of the cases is offered not only by the level of incomes but also by the manner of obtaining, consolidation and teleological justification of the privileged status comparing to other categories of pensioners/employees, which are comparable as level of education and social importance of work.

Here we discover certain categories of budgetary employees and a large part of the employees and pensioners from the judiciary system and a small part of those from the defence and public order, as well as some of the employees of the State and Autonomous State Companies and Authorities of Regulation. The incomes of these categories put these ones rather in the upper class than in the middle one.

The excessively high differences among groups of income, for comparable education and social importance of the work, represent a situation certifying the functioning of a partial meritocratic system, which can be considered rather a privileging system. Even if in principle those from the top of the pyramid deserved their place, the fact that most of those deserving to be on similar position are in fact placed at a high distance as regards the incomes, is a reality certifying the functioning of such privileging model of stratification of the middle class.

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